

A Study on the Determinants of
FDI Flows in Malaysia perspective

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS AND MANAGEMENT

I, ABDUL UBAIDILLAH BIN AB RAHMAN, I/C Number:

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the results of my independent work and investigation, except where otherwise stated.
- All verbatim extract have been distinguish by quotation marks and sources of my information have been specifically acknowledgement.

Signature: _____

Date: _____

LETTER OF TRANSMITTAL

Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
University Teknologi Mara
Kelantan Campus 15050 Kota Bharu
Kelantan Darul Naim

04 July 2013

SITI NORBAYA BINTI MOHD RASHID
The Head of Program
Bachelor of Business Administration (Hons) Finance
Faculty of Business Management
University Teknologi Mara
Kelantan Campus 15050 Kota Bharu
Kelantan Darul Naim

Dear Ms,

SUBMISSION OF PROJECT PAPER (FIN 660)

Attached is the project paper titled **“A Study on the Determinants of Foreign Direct Investment in Malaysia perspective”** to fulfil the requirement needed by the faculty of Business Management, Universiti Teknologi MARA.

Thank You,

Yours sincerely,

ABDUL UBAIDILLAH BIN AB RAHMAN

UiTM Number: 2011295098

ACKNOWLEDGEMENT

Assalamuaikum w.b.t.

Praise to Allah s.w.t. to give us this success by successful finish this task. After we took five weeks to finish up this project paper, finally we manage to finish this task in time given. At first, we found that it's quite difficult to find the terms given but after the hard work my advisors made, finally we successfully found the sources.

First and foremost, I would like to thanks to my respectable advisor PM. Mohd Nor Shapiin. He has taught me in many terms and gives us lot information about this paper. Without my advisor, this project paper will completed without some of accuracy and reliability of results.

My special thanks also to my second advisor, Madam Nor Halida Haziaton Mohd Noor, who has check my project paper to create the results with zero-error. This contribution will improve the truth of my findings and this paper meets the objective of study.

These courses provide me to know the important of research in our life in future. Besides that, there also lead to managing our money into wealth. Last but not least, thanks a lot to my beloved parents and my family for their moral support. I also would like to express my gratefulness to my friends and colleagues for the ideas and suggestion of this paper.

Thank You.

ABSTRACT

The purpose of this study is to investigate the best determinants of foreign direct investment (FDI) flows into Malaysia. This paper investigates whether FDI determinants affect FDI based on annual data over the period 1973-2010 for Multiple Linear Regression Analysis. The regression analysis tests identify the relationship among the variables in the study. The results of the FDI equation indicate that FDI flows in Malaysia are positively influenced by market size and exchange rate while negatively by infrastructure. The limitations of the study are based on the data set which could be found are limited which is lack of data in the FDI flows into Malaysia. The main objective of this study is to identify the factors that influence FDI flows into Malaysia. The secondary objective of this study is to examine the relationship between FDI determinants with the FDI flows in Malaysia. Finding suggests government that FDI is a key role for economic development and channels for the dissemination of modern technology in the future.

CONTENTS

Declaration of Original Work.....	5
Letter of Transmittal.....	5
Acknowledgment.....	iii
Abstract.....	5
Table of Content.....	5
List of Abbreviations.....	5
List of Tables and Figures.....	5

1.0 INTRODUCTION

1.1 BACKGROUND OF STUDY	1
1.2 OVERVIEW OF FDI INFLOWS INTO MALAYSIA	3
1.3 PROBLEM STATEMENT	5
1.4 RESEARCH OBJECTIVE	7
1.5 RESEARCH QUESTION	7
1.6 RESEARCH HYPOTHESES	8
1.7 SCOPE OF STUDY	9
1.8 THEORETICAL FRAMEWORK AND MODEL SPECIFICATION	10
1.9 LIMITATION OF THE STUDY	11
1.10 SIGNIFICANCE OF STUDY	12
1.10.1 To the Researcher	12
1.10.2 To the Organization	12
1.10.3 To the Public	13
1.11 TERM DEFINITION	13